

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name TUSCOLA COUNTY HEALTH DEPARTMEN		County TUSCOLA	
Fiscal Year End 09/30/2006		Opinion Date 12/14/06		Date Audit Report Submitted to State 01/20/07			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

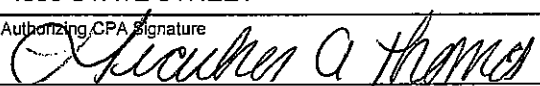
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input type="checkbox"/>	N/A	
Other (Describe)		<input checked="" type="checkbox"/>	SINGLE AUDIT	
Certified Public Accountant (Firm Name) GARDNER, PROVENZANO, SCHAUMAN & THOMAS P.C.			Telephone Number 989-790-3900	
Street Address 4855 STATE STREET			City SAGINAW	State MI
			Zip 48603	
Authorizing CPA Signature 		Printed Name HEATHER A. THOMAS		License Number 1058548

TUSCOLA COUNTY HEALTH DEPARTMENT
CARO, MICHIGAN

FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

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Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

INDEPENDENT AUDITOR'S REPORT

December 14, 2006

Board of Public Health
Tuscola County Health Department
Caro, Michigan

We have audited the accompanying financial statements of the governmental activities of Tuscola County Health Department, a component unit of County of Tuscola, Michigan, as of and for the year ended September 30, 2006, which comprise the Health Department's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Tuscola County Health Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and standards prescribed by the State Treasurer. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tuscola County Health Department as of September 30, 2006, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America and with applicable rules and regulations of the State Treasurer.

Board of Public Health
Tuscola County Health Department
December 14, 2006
Page Two

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 2006, on our consideration of Tuscola County Health Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Gardner, Provengano, Schauman & Thomas, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Our discussion and analysis of the Tuscola County Health Department's financial performance provides an overview of the Health Department's financial activities for the fiscal year ended September 30, 2006. Please read it in conjunction with the Health Department's financial statements.

Financial Highlights

- As of October 1st, Hearing and Vision Programs supported with Local Public Health Operation Funds were restored to only 50% of the original funding level. As a result, we had to make operational decisions to reduce the number of screenings provided, yet meet legislative requirements. The total allocation of Local Public Health Operation Funds was reduced by \$56,603 from fiscal year 2004/2005 levels. This substantial reduction had an adverse affect on other required programs, Immunizations, Communicable Disease, Sexually Transmitted Infections, as well as Hearing and Vision.
- We were notified by Michigan Department of Community Health, that an additional \$1,000 was available for the Tobacco Program in 2005/2006. The Family Planning allocation was decreased by \$8,056 from previous levels, however, by July \$4,894 became available to purchase long-term contraceptives. Our original WIC allocation was increased at the beginning of the fiscal year by \$5,229. In April, we were notified that an additional \$10,818 was available to serve WIC clients. Bioterrorism funding was decreased from the previous year by \$9,514, and further reduced in June by \$2,109. In April, new Emergency Preparedness funds became available for response team protection in the amount of \$10,000. A new Bioterrorism-Pandemic Flu Supplemental program element was added to our agreement with Michigan Department of Community for \$26,146. A portion of Local Public Health Operations funding was restored by \$46,016, but remained under the previous fiscal year level.
- Our "Touching Lives of Children" program funded by Michigan Children's Trust Fund, received an additional \$2,110 in July. The additional funding was to be used to purchase two desktop computers and software to improve data collection and client documentation.
- In March we were offered an opportunity to earn an additional \$4,188 for the Abstinence Program. We were able to provide service to 60 additional youth participants by adding fourteen hours of education to the program.

TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Financial Highlights (continued)

- In May we were awarded a substantial three-year grant from the Health Resources and Services Administration (HRSA) to provide the "Thumb Steps Up" program. The purpose of this grant is to increase the proportion of adults who are at a healthy weight, reduce obesity in adults, children and adolescents and increase physical activity to maintain overall good health. This grant involves partnerships with hospitals, local health departments and MSU Extension offices in Huron, Sanilac and Tuscola Counties. Funding the first year is \$150,000; second year \$125,000 and \$100,000 for the third year.
- Due to continued problems with the main entrance doors and the fact that they were not handicapped accessible, it was necessary to upgrade the entrance doors and equip them with handicap operators. Project bids were secured and awarded at a total cost of \$9,935.
- The prior fiscal year we addressed the health insurance issue in our agency, switching to "MERS Premier Health" which saved us a substantial amount of money. We continue to realize benefits of switching, as renewal rates effective 7/1/2006 were limited to 4% and employees continue to be happy with the product.
- In 2005/2006 overall revenue fell short of our best projections, partly due to the slow economy. Increased expenditures for drugs/vaccines contributed to a decrease in the fund balance of \$46,120.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Tuscola County Health Department, a component unit of the Tuscola County, as a whole and present a longer-term view of the Tuscola County Health Department's finances. Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Tuscola County Health Department's operations in more detail than the government-wide financial statements.

TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

THE STATEMENT OF NET ASSETS AND THE STATEMENT OF ACTIVITIES

One of the most important questions asked about the Health department's finances is, "Is the Health Department better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about Tuscola County Health Department as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Health Department's net assets and changes in them. You can think of the Health Department's net assets, the difference between assets and liabilities, as one way to measure the Health Department's financial health, or financial position. Over time, increases or decreases in the Health Department's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors to assess the overall health of the Health department.

THE HEALTH DEPARTMENT AS A WHOLE

The Health Department's net assets decreased \$78,562 from a year ago.

	<u>Table 1 Net Assets</u>	
	Governmental Activities	
As of September 30,	2006	2005
Current and other assets	\$ 780,935	\$ 805,447
Capital assets	193,121	212,669
Total assets	974,056	1,018,116
Long-term liabilities outstanding	108,216	95,322
Other liabilities	137,170	115,562
Total liabilities	245,386	210,884
Net assets:		
Invested in capital assets,		
net of related debt	193,121	212,669
Unrestricted	535,549	594,563
Total net assets	\$ 728,670	\$ 807,232

TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

THE HEALTH DEPARTMENT AS A WHOLE (continued)

Table 2 Changes in Net Assets

For the year ended September 30,	Governmental Activities	
	2006	2005
Program revenue		
Charges for services	\$ 776,774	\$ 733,491
Operating grants and contributions	1,084,578	1,051,918
General revenue		
County Appropriations	390,177	389,210
Interest and rents	3,306	1,735
Other Revenues	407,664	378,161
Special item-gain (loss) on disposal of capital assets	1,205	(32)
Total revenue	<u>2,663,704</u>	<u>2,554,483</u>
Program expense		
Health department	<u>2,742,266</u>	<u>2,508,860</u>
Total expenses	<u>2,742,266</u>	<u>2,508,860</u>
Increase (decrease) in net assets	<u>\$ (78,562)</u>	<u>\$ 45,623</u>

Net assets decreased by \$78,562 for several reasons. The cost of supplies and materials was significantly higher than the previous year and exceeded the budget as explained in the budget highlight section of this report. Although intergovernmental revenue was higher than the previous year, revenue over all was less than anticipated which is also discussed in the budget highlight section of this report.

REPORTING THE HEALTH DEPARTMENT ON A FUND BASIS

Our analysis of the Health Department's only fund, a governmental special revenue fund of Tuscola County is defined below:

- Governmental funds- All of the Health Department's services are reported in a governmental fund, which focuses on how money flows into and out of that fund and the balance left at year-end that is available for spending. The governmental fund is reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statement provides a detailed short-term view of the Health Department's operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in

TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

REPORTING THE HEALTH DEPARTMENT ON A FUND BASIS (continued)

the near future to finance the Health Department's programs. We described the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund statements.

ANALYSIS OF BALANCES AND TRANSACTIONS OF GENERAL FUND

- The Fund Balance decreased by \$46,120 as a result of expenditures exceeding revenue and other funding sources in fiscal year 2005/2006. The unreserved-undesignated general fund balance was \$341,091 at September 30, 2006.
- Amounts designated as "Unreserved/Designated" by the Board of Health as of September 30, 2006 were:
 - The amount of compensated absence balance to be used for future payment of compensated annual leave; and 50% of the amount of sick leave balance for employees eligible to retire in fiscal year 2006/2007 - \$108,216
 - \$110,760 for future MERS-employer contributions
 - \$30,686 for implementation of the TCHD wage schedule
 - \$47,000 for Data Management/Capital Improvements
- Amounts designated as "Reserved" by the Board of Health as of September 30, 2006 were:
 - The amount in the "Children's Special Health Care Relief Fund" - \$175
 - The amount in the "United Way Blood-Lead Project" - \$181
 - The amount in the "Mercury Analyzer Calibration Fund" - \$345
 - The amount in the "Flexible Spending Account" for employee un-reimbursed medical expenses - \$5,311

TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2006, the Tuscola County Health Department had \$193,121 invested in capital assets as follows:

	2006	2005
Building improvements	\$ 71,304	\$ 61,369
Computers and related equipment	294,739	295,664
Vehicles	43,489	43,489
Other equipment	172,417	172,417
Total	581,949	572,939
Less accumulated depreciation	(388,828)	(360,270)
Net fixed assets	<u>\$ 193,121</u>	<u>\$ 212,669</u>

Additional information on the Health Department's capital assets can be found in note 5.

Significant capital expenditures for the year ended September 30, 2006 are as follows:

- New handicapped accessible automatic doors were installed in the main entrance to the Health Department with Agency Support funds, in the amount of \$9,935

LONG-TERM DEBT

At year-end, the Tuscola County Health Department had the following long-term debt:

Compensated absences	\$ 108,216
Total Long-term debt	<u>\$ 108,216</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Health Department Board amended the original budget to take into account events which had a significant impact on revenue and expenses. The final revised budget was adjusted to reflect the most accurate information available.

TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

FIRST BUDGET VERSUS FINAL BUDGET

A significant variance appears on the **"Intergovernmental Federal/State"** revenue line in the amount of \$388,073. We added \$176,784 in this area, due to a requirement that we report the value of VFC vaccine (Vaccine for Children) provided at no cost by Michigan Department of Community Health. We received a new three year "Thumb Steps Up" grant in May 2006. We anticipated that \$50,000 of grant funds would be used from May to September. Additional funding of \$51,848 became available from Michigan Department of Community Health, for Bioterrorism projects, WIC and Family Planning. Local Public Health Operations funding was restored to nearly the previous year level, increasing the budget by \$46,016.

"Charges for Services" revenue was increased by \$25,357 in the final budget. We anticipated Flu Clinic fees, revenue generated from private insurance and several qualified health plans would exceed projections in our original budget.

The **"Salaries and Wages"** line of the budget was increased by \$37,552, due mostly to the addition of our new "Thumb Steps Up" program.

The original budget line for **"Supplies & Materials"** expense was adjusted in the amount of \$286,379. Because we added the value of VFC vaccine to the revenue side of the budget, it was necessary to add \$176,784, to expense side as well. The additional \$51,848 received for Bioterrorism, WIC and Family Planning was earmarked for office, clinic, drugs/vaccines and other supplies. It was necessary to shift \$43,770 from other line items to the supply area of the budget for the Immunization, Maternal Infant Health, Children's Special Health Care Services, Sexually Transmitted Infections, and Abstinence programs.

The **"Contractual"** expense line of the original budget was increased by \$30,884. A significant portion of the new Thumb Steps Up program involves partnerships with other health departments, hospitals, etc., which are paid on a contractual basis. The amount applicable to Thumb Steps Up was \$21,532. Data Management contractual expenses; as well as contractual legal expenses increased by \$5,760.

Other less significant changes occurred in revenue and expenses, resulting in an overall variance from the original budget to the final revised budget.

TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

FINAL BUDGET VERSUS ACTUAL RESULTS

Actual revenue received for "**Licenses and Permits**" fell short of our best projections for the final revised budget, due mostly to the slow economy. Fewer well and sewage disposal permits were issued.

A significant variance appears on the "**Intergovernmental Federal/State**" revenue line, comparing the final revised budget to actual revenue received. We received funding for the Thumb Steps Up program in May, and prepared a budget from May 1st through September 30th. As we were unable to staff the program until July, a portion of the federal dollars allocated for that time period remained unspent. However, this money was not lost to us, as the grant is for a three year period and unspent funds were transferred to our new fiscal year budget. After our final budget was prepared, we received word that a portion of the Bioterrorism funding would be reduced and reallocated to fiscal year 2006/2007. The actual amount of VFC vaccine allocated to us was less than the amount projected in our final revised budget.

Actual revenue generated in the "**Charges for Services**" area exceeded projections in our final budget for Flu Clinic fees, revenue generated from private insurance and several qualified health plans.

"**Supplies & Materials**" costs exceeded our final budget as it was necessary to purchase additional vaccine for private pay clients in our Immunization Program. The Family Planning program experienced price increases for drugs and pharmaceuticals that were not anticipated when the final budget was prepared.

Expenses were less than anticipated for the "**Contractual**" budget line, due to the fact our Thumb Steps Up program was not operational as soon as projected. Most of our hospital, other health department and extension office partners did not bill us for services from May 1st through September 30th. The unspent funds were added to the Thumb Steps Up budget in the new fiscal year.

Other less significant changes occurred, plus and minus, in both revenue and expenditures, resulting in the overall variance from the final revised budget to actual.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The Health Department's Board of Health and administrative staff considered many factors when developing the fiscal year 2006/2007 continuation budget plan. Information available from the Michigan Department of Community Health was limited as to funding levels and programs that were in question for continued funding. Fees were reviewed, and the quantity of services to be delivered and revenue generated were calculated.

TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES
(continued)**

- One budget priority was to keep the wage schedule current yet manageable, with expected funding levels. The Board of Health approved a 1.5% pay increase, effective October 1, 2006.
- The Municipal Employees' Retirement System (MERS) Annual Actuarial Valuation Report was received stating our agency is now funded at a 92% level. The employer contribution beginning January 1, 2007 will increase to 9.34% from 8.73% or \$108,642 for fiscal year 2006/2007. This increase was factored into the 2006/2007 continuation budget.
- We are continuing to strategize regarding our computer system. The product we have now is CMHC-MIS software, which was acquired by Netsmart Technologies in the last fiscal year. As support for the old product will become an issue in the not too distant future, we are looking at products and vendors that will meet our needs. In addition to the cost of a new system, we must give consideration to system support costs that will be significant on an annual basis. The overall financial picture of the Agency will determine if we purchase a new system in fiscal year 2006/2007 or beyond.
- We received communication from the Medical Services Administration, stating as a result of a recent federal audit, Medicaid cost based reimbursements to local health departments will not be processed until all audit issues are resolved by the Centers for Medicare and Medicaid Services. The amount in question for the Tuscola County Health Department is \$156,814 from our fiscal year 2004/2005 cost report and is included in our 2006/2007 continuation budget. The Michigan Association for Local Public Health (MALPH) leadership has been pursuing resolutions to this problem on behalf of all local health departments. Agreement has been reached with Michigan Department of Community Health and Medical Services Administration to process 2004/2005 reimbursement claims in the amount that the preliminary audit findings would allow. This agreement would give us approximately \$67,000 to work with while the preliminary findings are being challenged. It is critical that all issues be resolved and the claims be settled in their entirety, as there are no other sources of funding to replace cost based reimbursement.

TUSCOLA COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES
(continued)**

- Communication was received from Michigan Department of Community Health stating the United States Congress reauthorized funding for Michigan Abstinence Programs only through June 30, 2007. The Tuscola Intermediate School District is the fiduciary for the Abstinence Program, which is a tri-county project for Huron, Sanilac and Tuscola County Health Departments. Our share of funding through June 30th is \$31,875.
- As always, consideration was given to the fact that the economy has a significant impact on funding we receive from all sources. The Board of Health and administrative staff will make adjustments to the agency budget as necessary to assure services are delivered in the most efficient manner with available funding.

**CONTACTING THE TUSCOLA COUNTY HEALTH DEPARTMENT'S
MANAGEMENT**

This financial report is intended to provide our citizens and customers with a general overview of the Tuscola County Health Department's finances and to show the Tuscola County Health Department's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Fiscal Manager at 1309 Cleaver Rd., Caro, MI 48723.

BASIC FINANCIAL STATEMENTS

TUSCOLA COUNTY HEALTH DEPARTMENT
GOVERNMENT WIDE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006

	Governmental Activities
ASSETS	
Current assets:	
Cash	\$ 548,750
Accounts receivable	73,029
Due from State of Michigan	14,115
Due from other governmental units	14,734
Due from other counties	49,775
Prepaid expenditures	44,606
Inventory	35,926
Total current assets	<u>780,935</u>
Noncurrent assets	
Net capital assets	<u>193,121</u>
Total noncurrent assets	<u>193,121</u>
Total assets	<u><u>\$ 974,056</u></u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 63,377
Accrued wages payable	35,733
Accrued taxes payable	2,134
Deferred revenue	35,926
Total current liabilities	<u>137,170</u>
Noncurrent liabilities	
Accrued compensated absences	<u>108,216</u>
Total noncurrent liabilities	<u>108,216</u>
Total liabilities	<u>245,386</u>
NET ASSETS	
Invested in capital assets, net of related debt	193,121
Unrestricted	<u>535,549</u>
Total net assets	<u>728,670</u>
Total liabilities and net assets	<u><u>\$ 974,056</u></u>

See accompanying notes to the basic financial statements.

TUSCOLA COUNTY HEALTH DEPARTMENT
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Program Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Programs				
Personal Health	\$ 1,824,775	\$ 589,462	\$ 795,157	\$ (440,156)
Environmental Health	374,711	187,312	83,659	(103,740)
Administration	260,668	-	-	(260,668)
Other	282,112	-	205,762	(76,350)
Total Governmental Activities	<u>\$ 2,742,266</u>	<u>\$ 776,774</u>	<u>\$ 1,084,578</u>	<u>(880,914)</u>
General Revenues:				
County Appropriations				390,177
Interest and rents				3,306
Other Revenues				407,664
Total General Revenues				<u>801,147</u>
Special items:				
Gain on disposal of capital assets				1,205
Change in net assets				(78,562)
Net Assets-Beginning of the Year				807,232
Net Assets-End Of Year				<u>\$ 728,670</u>

See accompanying notes to the basic financial statements.

TUSCOLA COUNTY HEALTH DEPARTMENT
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Governmental Fund Type
ASSETS	
Cash	\$ 548,750
Accounts receivable	73,029
Due from State of Michigan	14,115
Due from other governmental units	14,734
Due from other counties	49,775
Prepaid expenditures	44,606
Inventory	35,926
Total Assets	<u>\$ 780,935</u>
LIABILITIES	
Accounts payable	\$ 63,377
Accrued wages payable	35,733
Accrued taxes payable	2,134
Deferred revenue	35,926
Total Liabilities	<u>137,170</u>
FUND BALANCE	
Reserved	
Children's Special Health Care Relief Fund	175
United Way Blood-Lead Project	181
Mercury analyzer	345
Flexible spending	5,311
Designated	
Compensated Absences	108,216
Retirement contribution	110,760
Wage schedule implementation	30,686
Data Mgt/capital improvements	47,000
Unreserved Undesignated	341,091
Total Fund Balance	<u>643,765</u>
Total Liabilities and Fund Balance	<u>\$ 780,935</u>
Governmental Fund Balance	\$ 643,765
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not considered financial resources and therefore not reported in the funds.	193,121
Liabilities such as compensated absences are not due and payable in the current year and are not reported on a fund level.	(108,216)
Net Assets of Governmental Activities	<u>\$ 728,670</u>

See accompanying notes to the basic financial statements.

TUSCOLA COUNTY HEALTH DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2006

<u>Revenues</u>	General Fund
Licenses and permits	\$ 175,720
Intergovernmental Federal/State	1,614,723
Charges for services	437,265
General contributions	9,323
Other	9,581
Total revenues	<u>2,246,612</u>
 <u>Expenditures</u>	
Salaries and wages	1,375,427
Fringe benefits	442,993
Supplies and materials	451,962
Contractual	152,813
Legal	4,824
Health services	7,800
Telephone	14,287
Travel	74,427
Advertising	9,142
Insurance	29,779
Equipment repairs and maintenance	9,922
Central Service costs	9,541
Building lease and rentals	87,972
Capital outlay	9,936
Other	27,794
Total expenditures	<u>2,708,619</u>
Excess of revenues over (under) expenditures	(462,007)
 <u>Other Financing Sources</u>	
County appropriation	390,177
Cigarette tax	25,710
Total other financing sources	<u>415,887</u>
Excess of revenues and other financing sources over (under) expenditures	(46,120)
Fund balance-beginning of year	689,885
Fund balance- end of the year	<u>\$ 643,765</u>
Excess of revenues over (under) expenditures	\$ (46,120)
Amounts reported for governmental-wide statement of activities differ because:	
Capital outlays are reported as expenditures at the fund level	9,935
Depreciation is not reported at the fund level	(30,688)
Gains or losses from the disposal of capital assets are not reported at the fund level	1,205
The change in compensated absences is not recorded at the fund level	(12,894)
Change in net assets	<u>\$ (78,562)</u>

The accompanying notes to the financial statements are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies

The accounting policies of the Tuscola County Health Department conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

A. Reporting Entity

The Tuscola County Health Department (Health Department) is a component unit of the County of Tuscola, Michigan and operates under the legal supervision and control of the Tuscola county Board of Commissioners. The Tuscola County Board of Commissioners appoints the membership of the Board of Health (Board). The Board functions as the governing body of the Health Department. It sets policies and procedures and provides general oversight of the Health Department's operations in cooperation with the Tuscola County Board of Commissioners. The Health Department was established to protect the citizens of Tuscola County from disease, as well as to promote the general health and well-being of those citizens.

B. Basis of Presentation

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the activities of the primary government. Governmental activities, normally supported by taxes and inter-governmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. The Tuscola County Health Department did not engage in any business-type activities for the year ended September 30, 2006.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues for personal health and environmental health include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not included among program revenues are reported instead as general revenue.

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 1—Summary of Significant Accounting Policies (continued)

Fund Financial Statement:

The government reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

C. Measurement Focus, Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or within 60 days of the end of the current fiscal period. Revenues from grants designated for payment of specific program expenditures are recognized when the related expenditures are incurred. Outpatient fees are reported as income when earned and billed. Expenditures generally are recognized when the related fund liabilities are incurred. However, debt service expenditures, expenditures relating to long-term debt are recorded only when payment is due.

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 1—Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Assets or Equity

Capital Assets -- Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Building improvements	5 to 15 years
Computers and related equipment	5 to 10 years
Vehicles	4 years
Other equipment	3 to 15 years

Encumbrances are recorded by purchase orders and contracts at the time of issue. The encumbrances are liquidated when the goods or services are received. Unliquidated encumbrances lapse at the end of the fiscal year.

Compensated Absences (Vacation and Sick Leave)

The Health Department's personnel policy provides for the accumulation of compensated leave for vacation and sick days. The Health Department is contingently liable for vacation time and unused sick time only upon death or retirement. Employees of the Health Department are granted vacation leave in varying amounts based on length of service. Upon termination of employment, employees are paid accumulated vacation at the current rate of pay for a maximum of 32 days. At September 30, 2006, accumulated vacation payable amounted to \$91,081. Upon retirement, employees are paid accumulated sick leave at a rate of 50% of hours accumulated up to a maximum of 900 hours (450 hours paid). At September 30, 2006, four employees were eligible for retirement and the accumulated sick leave payable amounted to \$17,135.

Long-Term Obligations -- In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. At September 30, 2006, compensated absences were the only long-term obligation.

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 1—Summary of Significant Accounting Policies (continued)

Assets, Liabilities, and Net Assets or Equity (continued)

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The Health Department received monies from United Way to be used for emergency health care services for children. These monies are deposited into a separate bank account. Disbursements are made from this account by the Health Department as needed for emergency health care expenditures. At September 30, 2006, the balance in the "Children's Special Health Care Services Fund" was \$175, the United Way Blood-Lead Project was \$181, the Mercury Analyzer was \$345 and the Flexible spending was \$5,311.

During the current year, the Board of Health designated monies from the unreserved fund balance and set them aside for future use. As of September 30, 2006, \$110,670 had been designated for future MERS employer contributions, \$30,686 had been designated for implementation of a new wage schedule, \$108,216 for compensated absences, and \$47,000 for Data Management and Capital Improvements.

E. Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

F. Inventory

Inventory, which consists of VFC vaccine supplies, is valued at cost determined by the State of Michigan.

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 2--Stewardship, Compliance and Accountability

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The Health Department executives and directors meet to identify staffing and expenditures necessary to meet minimum program requirements and identify all applicable revenue sources, i.e. Fees, and Local, State, and Federal funding. A review of actual financial data from the most recent fiscal year is made and costs are updated to reflect known increases. The Finance Director then prepares draft budgets for each cost center. These drafts are then reviewed by the appropriate department executive and/or director, and suggested adjustments are made. The budget is then presented for review and recommendation to the full Board of Health. The Board of Health approves the proposed total agency budget on the same basis of accounting as the financial statement presentation, which is reflected in the Board of Health meeting minutes. Approved budgets are then submitted to the appropriate grantor agencies.

Budget amendments are initiated upon semi-annual review of the budget to actual revenue and/or expenditures. A meeting is held to discuss necessary changes with the department executive and/or director. Budget amendments are then presented to the Health Officer for review. Upon approval of the Health Officer, the amended budget is then presented for review and recommendations to the full Board of Health. The Board of Health approves the amended budget and the approved amendment is reflected in meeting minutes. The approved amended budget is then submitted to appropriate grantor agencies.

Budget variances are illustrated in the supplemental information section.

NOTE 3--Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 3--Deposits and Investments (continued)

The Health Department's cash consists of cash on hand and demand deposits. In accordance with the statutes of the State of Michigan, all cash received by the Health Department is transferred to the Treasurer of the County of Tuscola for deposit and investment of excess cash. The detail of cash at September 30, 2006 is as follows:

Petty cash – The Health Department maintained a cash balance of \$460.

Deposits – The carrying amount of the Health Department's deposits (checking accounts, etc.) was \$33,294 with a corresponding bank balance of \$204,750. Of that balance, \$100,000 was insured.

Deposits with County of Tuscola – The amount of the Health Department's deposits with the County of Tuscola was \$514,996. The County of Tuscola's cash and investments were not audited as of September 30, 2006. Therefore, the categorization into risk levels of the cash and investments could not reasonably be determined.

The Health Department's investment policy authorizes all of the above listed investments as authorized by Treasury.

NOTE 4--Receivables

Receivables as of year-end for the government's general fund, including the applicable allowances for uncollectible accounts, are as follows:

Accounts receivable	\$ 73,029
Due from State of Michigan	14,115
Due from other governmental units	14,734
Due from other counties	49,775
	<u>\$ 151,653</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, deferred revenue consisted of vaccine not used.

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 5--Capital Assets

Capital asset activity of the primary government for the current year was as follows:

	Balance 10/1/2005	Additions	Disposals	Balance 9/30/2006
Building improvements	\$ 61,369	\$ 9,935	\$ -	\$ 71,304
Computers and related equipment	295,664	-	925	294,739
Vehicles	43,489	-	-	43,489
Other equipment	172,417	-	-	172,417
Total	<u>572,939</u>	<u>\$ 9,935</u>	<u>\$ 925</u>	<u>581,949</u>
Less accumulated depreciation	<u>360,270</u>	30,688	2,130	<u>388,828</u>
Net capital assets	<u>\$ 212,669</u>			<u>\$ 193,121</u>

Depreciation expense of \$30,688 was charged as follows: administration \$14,821, environmental health \$4,876, personal health \$3,891 and other \$7,100.

NOTE 6-- Leases

The Health Department has entered into an operating lease with the County of Tuscola for office space. The lease provides for monthly payments to the County to cover operational expenditures of the building. The total rental expense under this operating lease for the year ended September 30, 2006 was \$86,076. Lease payments are determined annually by Tuscola County.

The Tuscola County Health Department has a lease agreement for a postage meter. Quarterly payments are \$474. The total expensed for the year ended September 30, 2006 was \$1,896.

Future minimum payments are as follows:

Year	Payment
2007	\$ 1,896
2008	1,896
2009	1,896
2010	1,422
Total	<u>\$ 7,110</u>

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 7--Long-Term Debt

The following is a summary of long-term debt transactions of the Health Department for the year ended September 30, 2006:

	Payable 10/1/2005	Additions	Reductions	Payable 9/30/2006
Compensated absences	\$ 95,322	\$ 27,031	\$ 14,137	\$ 108,216
	<u>\$ 95,322</u>	<u>\$ 27,031</u>	<u>\$ 14,137</u>	<u>\$ 108,216</u>

NOTE 8--Risk Management

The Health Department has joined together with other local governments in Michigan to form Michigan Municipal Risk Management Authority (MMRMA), a public entity risk pool currently operating as a common risk management and financing program for member Michigan local governments. The Health Department pays an annual premium to MMRMA for its general liability insurance coverage. The Agreement for Formation of the MMRMA provides that MMRMA will be self-sustaining through member premiums.

The Health Department continues to carry commercial insurance for all other risks of loss, including workers' compensation, employee dishonesty and health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9--Retirement System – MERS Operated

Plan Description

The Health Department's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Health Department participates in the Municipal Employees Retirement of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board, Act No. 220 of the Public Acts of 1996, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 9--Retirement System – MERS Operated (continued)

Funding Policy

The Health Department employees are required to contribute at an actuarially determined rate; the current rate is 3% of the first \$4,200 of annual payroll and 5% of portions over \$4,200. The Health Department is required to contribute the remaining amounts necessary to fund the System, based upon actuarial valuations as required by State statute. The contribution rate was 8.36% October 1, 2005 through December 31, 2005 and 8.73% January 1, 2006 through September 30, 2006. The contribution requirements of the Health Department are established and may be amended by the Retirement Board of MERS.

Annual Pension Cost

For the year ended September 30, 2006, the Health Department's cost of \$113,290 for MERS was equal to the Health Department's required and actual contributions. The required contribution was determined as part of the December 31, 2004, actuarial valuation using the entry age normal actuarial funding method. The actuarial assumptions include, (a) an assumed rate of investment return that is used to discount liabilities and project what plan assets will earn, (b) a mortality table projecting the number of members who will die before retirement and the duration of benefit payments after retirement, (c) assumed retirement rates projecting when members will retire and commence receiving retirement benefits, (d) a set of withdrawal and disability rates to estimate the number of members who will leave the work force before retirement, (e) assumed rates of salary increase to project member compensation in future years. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect market value.

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

NOTE 9--Retirement System – MERS Operated (continued)

Annual Pension Cost (continued)

Three-year Trend Information

Fiscal Year Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
9/30/2004	\$ 75,202	100%	-
9/30/2005	\$ 102,942	100%	-
9/30/2006	\$ 113,290	100%	-

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age (b)	Unfunded (Over Funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a) (c)
12/31/2003	\$ 4,300,960	\$ 4,478,686	\$ 177,726	96%	\$ 1,219,315	15%
12/31/2004	\$ 4,666,152	\$ 4,958,294	\$ 292,142	94%	\$ 1,171,612	25%
12/31/2005	\$ 5,033,724	\$ 5,493,348	\$ 459,624	92%	\$ 1,185,815	39%

NOTE 10--Deferred Compensation Plan

The Health Department offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Health Department employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The related assets and liabilities are not reported in the Health Department's financial statements as the assets are placed with a trustee. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the Health department's financial statements.

NOTE 11--Economic Dependency

The Health Department received approximately 38% of its General Fund revenue and other financing sources from the Michigan Department of Community Health. Due to the significance of this revenue source to the Health Department, it is considered to be economically dependent.

REQUIRED SUPPLEMENTAL INFORMATION

TUSCOLA COUNTY HEALTH DEPARTMENT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2006

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
<u>Revenues</u>				
Licenses and permits	\$ 197,106	\$ 192,095	\$ 175,720	\$ (16,375)
Intergovernmental Federal/State	1,279,263	1,667,336	1,614,723	(52,613)
Charges for services	395,812	421,169	437,265	16,096
General contributions	10,062	9,094	9,323	229
Other	4,078	5,381	9,581	4,200
Total revenues	<u>1,886,321</u>	<u>2,295,075</u>	<u>2,246,612</u>	<u>(48,463)</u>
<u>Expenditures</u>				
Salaries and wages	1,343,086	1,380,638	1,375,427	(5,211)
Fringe benefits	438,459	445,440	442,993	(2,447)
Supplies and materials	145,017	431,396	451,962	20,566
Contractual	140,985	171,869	152,813	(19,056)
Legal	5,000	7,000	4,824	(2,176)
Health services	11,610	7,666	7,800	134
Telephone	13,385	14,334	14,287	(47)
Travel	61,503	70,622	74,427	3,805
Advertising	1,764	13,427	9,142	(4,285)
Insurance	29,137	29,731	29,779	48
Equipment repairs and maintenance	7,631	8,240	9,922	1,682
Central Service costs	13,023	9,541	9,541	-
Building lease and rentals	87,572	87,572	87,972	400
Capital outlay	-	9,936	9,936	-
Other	29,754	34,308	27,794	(6,514)
Total expenditures	<u>2,327,926</u>	<u>2,721,720</u>	<u>2,708,619</u>	<u>(13,101)</u>
Excess of revenues over (under) expenditures	(441,605)	(426,645)	(462,007)	(35,362)
<u>Other Financing Sources</u>				
Operating transfers in				
County appropriation in	397,388	390,046	390,177	131
Cigarette tax	21,000	25,710	25,710	-
Total other financing sources	<u>418,388</u>	<u>415,756</u>	<u>415,887</u>	<u>131</u>
	(23,217)	(10,889)	(46,120)	(35,231)
Fund balance-beginning of year	689,885	689,885	689,885	-
Fund balance-end of the year	<u>\$ 666,668</u>	<u>\$ 678,996</u>	<u>\$ 643,765</u>	<u>\$ (35,231)</u>

The accompanying notes to the financial statements are an integral part of this statements.



Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENTAL AUDITING STANDARDS

December 14, 2006

Board of Public Health
Tuscola County Health Department
Caro, Michigan

We have audited the financial statements of the governmental activities, of the Tuscola County Health Department as of and for the year ended September 30, 2006, which collectively comprise the Tuscola County Health Department's basic financial statements and have issued our report thereon dated December 14, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Tuscola County Health Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Board of Public Health
Tuscola County Health Department
December 14, 2006
Page Two

Compliance

As part of obtaining reasonable assurance about whether the Tuscola County Health Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Governmental Auditing Standards*.

This report is intended for the information of the Board of Public Health, management and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Gardner, Praveenamo, Achacoma & Thomas, P.C.

Certified Public Accountants



Gardner | Provenzano Schauman & Thomas

ACCRUITED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

December 14, 2006

Board of Public Health
Tuscola County Health Department
Caro, Michigan

We have audited the compliance of the Tuscola County Health Department with the types of compliance requirements as described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. The Tuscola County Health Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Tuscola County Health Department's management. Our responsibility is to express an opinion on the Tuscola County Health Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Tuscola County Health Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Tuscola County Health Department's compliance with those requirements.

Board of Public Health
Tuscola County Health Department
December 14, 2006
Page Two

In our opinion, the Tuscola County Health Department complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

Internal Control over Compliance

The management of the Tuscola County Health Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Tuscola County Health Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Public Health, management and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Gardner, Provenzano, Schaumann & Thomas, P.C.

Certified Public Accountants

TUSCOLA COUNTY HEALTH DEPARTMENT
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2006

SECTION 1 – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes x No

Reportable condition(s) identified not considered to be material weaknesses? Yes x None reported

Noncompliance material to financial statements noted? Yes x No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes x No

Reportable condition(s) identified not considered to be material weaknesses? Yes x None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of Circular A-133? Yes x No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.268	Immunization Grants
10.557	WIC

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? x Yes No

TUSCOLA COUNTY HEALTH DEPARTMENT
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2006

SECTION II – Financial Statement Findings

There are no matters to report.

SECTION III – Federal Award Findings and Questioned Costs

There are no matters to report.

TUSCOLA COUNTY HEALTH DEPARTMENT
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2006

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Number	Federal Expenditures
U.S. Department of Health and Human Services:			
<u>Michigan Department of Community Health</u>			
Family Planning	93.994	B1MIMCHS	\$ 11,253
Family Planning	93.217	05H000173	55,895
Immunization-IAP	93.268	H23 CCH522556	22,752
Case Management Services	93.994	B1MIMCHS	10,549
Case Management Services	93.778	5XX05MI5048	15,701
Local MCH Block Grant	93.994	B1MIMCHS	43,366
SIDS Counseling (Fixed Unit Rate)	93.994	B04MCO2416	255
Vaccines Provided (Fixed Unit Rate)	93.268	H23 CCH522556	167,434
VFC Provider Site Visits (Fixed Unit Rate)	93.268	H23 CCH522556	1,000
Immunization AFIX (Fixed Rate)	93.268	H23 CCH522556	150
CSHCS Care Coord. Level I (Fixed Unit Rate)	93.778	50506M15048	5,300
CSHCS Care Coord. Level II (Fixed Unit Rate)	93.778	50506M15048	990
Medicaid Outreach Activities (Fixed Unit Rate)	93.778	50506M15048	6,839
Bioterrorism-Focus A	93.283	CCU517018	170,751
Bioterrorism-Pandemic Flu	93.283	CCU517018	26,146
<u>Health Resources and Services Administration</u>			
Rural Health Care Services Outreach Grant (Thumb Nutrition & Physical Activity Program)	93.912	D04RH06934A0	17,914
U.S. Department of Agriculture:			
<u>Michigan Department of Community Health</u>			
Women Infants and Children	10.557	XX4W1006	204,101
Family Independence Agency:			
Strong Families/Safe Children - 0-5 Early Intervention Program	93.556	SFSC 03-79001	19,000
Children's Trust Fund - T.L.C. Program	93.558	CTFPR-05-79001	135,898
Environmental Protection Agency:			
<u>Department of Environmental Quality</u>			
Operator Certification	66.471	PCA 79054	6,475
Arsenic Rule Implementation	66.468	PCA 41867	376
Michigan Department of Education:			
Early-On Grant	84.181	Tuscola ISD	6,000
Early-On Grant IDA (Fixed Unit Rate)	84.181	Tuscola ISD	4,320
Great Start Funding - Baby Shower	84.181	Tuscola ISD	2,500
Other Grants:			
Michigan Abstinence Partnership-Community Action Plan - Tuscola Intermediate School Dist.	93.235	20050502	46,888
			<u>\$ 981,853</u>

TUSCOLA COUNTY HEALTH DEPARTMENT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

NOTE 1--Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Tuscola County Health Department and is presented in the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*.

NOTE 2--Reconciliation of Revenue Reported in the Financial Statements with

Expenditures of Federal Awards

Intergovernmental revenue		\$ 1,614,723
Less:		
Cost sharing	(212,200)	
State and local grants	<u>(420,670)</u>	<u>(632,870)</u>
		<u>\$ 981,853</u>